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ABSTRACT

Seven day care centers in the Denver-Boulder (Colorado) metropolitan area made an effort to identify the kinds of subsidies they received and to estimate the importance of these subsidies for the cost of services. The sites included a Head Start program, three nonprofit centers, two family day care providers, and an infant care center. Labor accounted for a majority of the centers' costs, with facility costs a significant but less important factor. Food and program costs were minor. Subsidies included: (1) staff wages, which were artificially low in comparison to pay for comparable jobs and the market value of providers; (2) nonmonetary contributions, such as reduced rents and donations for food and supplies; (3) cash contributions; (4) grants from government or philanthropic organizations, including both supply and demand subsidies; and (5) distributional subsidies based on sliding fee scales related to parents' income. Because of the low wage subsidy, parents' child care costs were nowhere near the full costs of the programs. The amount of subsidies varied greatly among programs, from 99 percent of total cost for the Head Start program to 50 percent for the infant care program. (BC)

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SUBSIDIES AND THE TRUE COST OF CHILD CARE

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ABSTRACT: Professionals in early childhood care and education often claim that child care fees do not reflect the true cost of services, because of subsidies and in-kind contributions. This paper reports results which identify the kinds of subsidies and estimate their importance in seven sites, representing five different kinds of child care settings, in the Denver-Boulder metropolitan area in Colorado.

The study estimated the importance of five types of possible subsidies in the child care industry: from staff to clients due to abnormally low wages; from non-cash and easy contributions; from philanthropic and government sources; subsidies implicit in fee schedules.

In the average nonprofit center studied, resources that would cost \$684 per month are reduced to a net cost (to the family) of \$147 because of subsidies. Low wages are the primary factor holding down costs in child care, reducing costs by \$252 per child per month. Contributions to the centers and subsidies to parents also play major roles. There was substantial variation among the sites, and the relations between cost, client socio-economic status and quality of care are complex and uneven.

The economics of child care is often discussed in terms of the trilemma of providing affordable, adequate, and available child care. Of the problems involved in this trilemma, that of providing good, affordable care is, perhaps, most pressing. Affordability is important because families spend a large percent of their income (on average, 11%) on child care (Family Impact Seminar, 1989; Culkin et al., 1990). Furthermore, in centers, affordability is directly related to quality of service because the main ways to control costs are through high child/staff ratios and low pay, making it difficult to attract and keep more educated staff, the one most important factor affecting quality (Whitebook, Howes and Phillips, 1989, 112).

Traditionally, the community, through the actions of individuals, private charities and public initiatives, has responded to the problem of affordability of child care by subsidizing care in a variety of ways. In particular, subsidies are part of a tradition of local support of child care for poor children. A child care subsidy is anything that makes it possible for a family to afford services when they would not ordinarily be able to do so.

One set of subsidies affects the supply of services

by lowering costs to providers, increasing their sources of revenue, or actually creating and paying for new programs. Typical supply side subsidies which lower costs are rent subsidies, the USDA food program, in-kind contributions of labor or materials, and, most important, low wages and salaries of employees. Low wages are a form of implicit subsidy from staff to program if workers could earn more elsewhere, which is the case in child care work where workers earn much less than other women with comparable education levels (Whitebook, Howes, and Phillips, 1989, 35). Supply side subsidies which increase revenue over that earned from tuition include endowments, fund raisers and philanthropic contributions. Important examples of direct increases in the supply of services are federally funded Head Start programs and state financed early childhood education programs.

Another set of subsidies increase the demand by parents for services and, often, for higher quality services. The most obvious examples are tax credits which lower the real cost of child care to parents, and state purchase of care programs for low income families financed through Title XX Social Service Block grants and other sources, or United Way or other specially funded scholarships.

A third set of redistributive subsidies can exist if fee schedules redistribute costs among clients, for instance, if (1) fees for infant care do not reflect the full cost and those for before and after school care are higher than actual costs, (2) there is a graduated fee schedule based on income, or (3) there are discounts for corporate clients or a second child from the same family, or staff members' children.

DESCRIPTION OF STUDY

This study looks at the economic impact of subsidies through the analysis of costs and revenue for seven child care providers in Colorado in 1989. The seven sites chosen for this pilot study represent important child care and education options. All seven sites were recommended as providing good quality care for their given client group. The sites include two family day care providers, one serving middle income white children, the other lower-middle income black children; three nonprofit centers, one church-based serving middle income white children, and two community-based centers, one serving low income hispanic children and one serving low income, mostly white children; one proprietary infant center serving upper income children; and one Head Start

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program. The Head Start program includes a number of programs, including a wraparound Title XX child care program.

We evaluated overall program quality of each facility using the Early Childhood Environmental Rating Scale (ECERS), Infant/Toddler Environmental Rating Scale (ITERS), or Family Day Care Rating Scale (FDCRS) (Harms and Clifford, 1980, 1989a, 1989b). To collect cost, revenue, staffing and other data, we conducted an initial interview followed by a two hour data gathering interview with the program director and follow-up telephone contact. We developed a spread-sheet computer model to analyze actual dollar outlays, and in-kind and volunteer imputed costs. The model calculates costs per child for the site, percent of costs covered by subsidies and in-kind or volunteer contributions, and the relation between fees and real costs. Specifically, the study was designed to identify and estimate the importance of five types of possible subsidies:

1. Supply subsidies from staff to clients due to abnormally low wages or uncompensated overtime;
2. Supply subsidies from non-monetary contributions such as subsidized rent, or volunteer work;
3. Supply subsidies in the form of cash contributions which lower costs per child such as participation in the USDA food program;
4. Demand subsidies from philanthropic and government sources which increase demand by reducing fees;
5. Distributional subsidies based on fee differentials based on age of child, family income, or special discounts.

RESULTS

Costs and Quality

Table 1 summarizes findings on costs per child, in-kind subsidies, tuition as a percent of cost, the relative importance of cost components, and quality. Total Cash and in-kind costs for the two day care homes were \$267 and \$309 per child per month. Center costs ranged from \$330 to \$613; two centers, the infant center and the one with the highest quality score, had costs of over \$600; the other three were below \$504. In these seven cases, total costs did not relate to quality. The most expensive and least expensive facilities scored highest on the ECERS/ITERS/FDCRS.

Labor accounted for between 56% and 73% of total costs and higher percentages of costs were associated with higher quality, apparently because of the effect of higher education levels of the staff, and

to a lesser extent, because of higher staff to child ratios. In these sites educational level of the staff was closely related to the quality scores at the site.

Facilities cost between 11% and 20% of total costs. Space per child ranged from 41 to 100 square feet, 35% to 100% above the minimum space requirements in Colorado. Neither space per child nor percent of expense devoted to facilities was strongly related to quality, possibly because these centers exceeded the amounts where additional space has much payoff. Insurance costs are included in facilities costs, and in five of the seven sites cost less than \$4 per month per child. The other two sites had insurance costs of \$15 and \$18 per child per month.

Program and food costs were all minor parts of the costs of each setting. In the two cases where program costs are much higher, the difference may relate as much to different accounting methods as to different expenditures.

TABLE 1
TOTAL COST PER CHILD
PERCENTAGE BREAKDOWN AND QUALITY SCORES

Setting	Head Start	Non-Profit #1	Non-Profit #2	Non-Profit #3	Family #1	Family #2	Infant Care
Cost/child	\$504	\$330	\$612	\$434	\$267	\$309	\$613
Labor	65%	73%	70%	72%	61%	56%	69%
Facilities	11%	13%	13%	18%	17%	12%	20%
Food	8%	10%	8%	5%	18%	13%	4%
Program	16%	3%	9%	4%	4%	19%	6%
Total	100%	100%	100%	100%	100%	100%	100%
Volunteer and In-kind	15%	6%	13%	14%	7%	15%	7%
Tuition as a percent of cost	n/a	84%	77%	81%	97%	91%	102%
ECERS/ITERS/FDCRS score	4.52	3.98	4.96	4.62	5.12	3.25	3.32

Non-cash (in-kind) contributions of services and goods ranged from 0 to 15% of total costs. Tuition per child was reduced by these amounts, indicating the reduction in costs to customers made possible by in-kind contributions. Table 5 estimates actual costs to parents after all subsidies are taken into account. Table 3 shows that the largest and most common donation was of space. But some contributions were recorded in volunteer workers (child care, maintenance, accounting, legal) food, supplies, equipment. The highest quality ratings occurred in settings with the highest absolute amounts of in-kind donations per child. But the lowest quality score was also associated with a high in-kind donation level.

Subsidies from Staff Through Low Wages

Abnormally low wages and benefits received by child care staff, given their level of education and experience, is well documented (Whitebook, Howes & Phillips, 1989, 35). We estimated this implicit subsidy from staff to provider and customers in two ways and compared them: (1) by estimating the worth of the job itself based on what people in comparable jobs are paid, and (2) by estimating the market value of the persons providing the services.

The first method, estimating the value of the job, the comparable worth method, uses the salary people are earning in jobs requiring comparable skills, responsibilities, and working conditions. We used as a rough estimate of comparable worth the occupation classification scheme in the Dictionary of Occupational Titles (D.O.T.) (U.S. Department of Labor Employment and Training Administration, 1977, 1986). It classifies jobs according to the skills involved in the on-the-job interactions with data, people and things.

The D.O.T. classifies pre-school or day care center instructors and kindergarten or elementary school teachers identically, so we used salaries of elementary school teachers in the locality of the center. The D.O.T. classifications were not useful in identifying comparable occupations for child care assistants, because the child care worker description is out-of-date and underestimates the skills required, giving child care workers almost the lowest skills rating possible. Therefore, based on a comparison of job descriptions, we equated child care assistants with elementary school teacher assistants. Similarly, we did not identify a satisfactory comparable occupation for center directors in the D.O.T. We used elementary school principal, or teacher/principal, depending on the size of the center and the responsibilities of the director.

The second method, based on the market value of the person, estimates the opportunity foregone by the worker from working in child care instead of some other occupation which could earn a higher wage or salary. Using the national mean 1987 income for women twenty-five to twenty-nine years old with the level of education attained by the given staff person, we estimated the foregone wages and salaries for each staff person.

Table 2 shows that the two approaches to estimating the subsidy from low staff wages provide similar estimates of subsidy. In both cases fringe benefits have been increased to 20% from the 10 to 15% that are typically paid in these settings.

The federally supported Head Start program paid wages closer to those in competing occupations than

any other setting that we studied. A shift to school district pay rates would raise costs \$96 per month per child. A shift to the same pay as the average for women of the same educational level as the staff would increase costs by \$128 per month per child.

TABLE 2
COMPARISON OF COSTS AT ACTUAL WAGES,
WAGES BASED ON COMPARABLE WORTH, AND ON INCOME
FOREGONE

Setting	Monthly Cost per Child						
	Head Start	Non-#1	Non-Profit #2	Non-Profit #3	Family Profit #1	Family Profit #2	Infant Care
Actual wage	\$504	\$330	\$612	\$434	\$267	\$309	\$613
Comp. worth school wage	\$600	\$580	\$895	\$654	\$459	\$545	\$1148
Subsidy	96	250	283	220	192	236	535
Opportunity foregone ed. level wage	\$632	\$483	\$865	\$586	\$472	\$424	\$1046
Subsidy	128	153	253	152	205	115	433

At the other extreme, at the proprietary infant center, costs would rise by over \$500 per month per child if staff were paid school district wages and over \$400 per month if they were paid the average for women with the same educational level. In percentage terms, these represent increases in total cost of 87% and 70%, respectively.

The other child care centers would incur increases in cost of \$152 to \$283 per child per month. In most cases, the wages based on income foregone (education level) are lower than wages based on comparable worth (school district pay), because many child care teachers at these sites do not have a full bachelors degree education. The two cases where the income foregone (educational level) estimate was twenty percent lower than the comparable worth (school district) estimate were nonprofit center #1 and family day care #2, the cases with the lowest average staff education levels and almost the lowest quality scores. In percentage terms, the increases in total costs for most centers and homes would range between 40 and 100 percent, similar to the percentage effect of the wage subsidy for the infant center although lower in absolute cost effect. Low wages are the biggest single item reducing costs of child care of a given quality to parents of small children.

Subsidies from Non-monetary Contributions

Table 3 shows that six of the seven centers and homes received non-monetary contributions, varying in value from \$19 to \$81 per child per month. None of the six paid full market value for the facility they occupied. Subsidies ranged in the six subsidized facilities from \$19 to \$49 per child per month. Family providers owned their homes, which they

bought more than 15 years ago and remodelled to accommodate their child care needs. In each case the cost, based on the share of the mortgage and depreciation allocated to child care, amounted to about \$3 per square foot per year. Comparable space in a new house would cost about \$6, so that half the cost of space is an in-kind donation. In the nonprofit centers, the rental write down was more explicit. Two centers were given their space, a third paid one-sixth the estimated market value, and the Head Start program had half its space donated. Only the for-profit infant center paid full occupancy costs at a rate of \$9 per square foot.

TABLE 3
IN-KIND AND VOLUNTEER SUPPORT
Value per Child per Month

Setting	Head Start	Non-Profit #1	Non-Profit #2	Non-Profit #3	Family Profit #1	Family Profit #2	Infant Care
In-kind space	\$22	\$18	\$29	\$49	\$19	\$19	\$0
Program vol.			\$13	\$3		\$11	
Office vol.	\$30		\$9			\$3	
Professional svcs.	\$16		\$23	\$5			
In-Kind Food		\$1	\$1				
In-kind supplies	\$9		\$5	\$6		\$12	
TOTAL IN-KIND & VOL.	\$77	\$19	\$81	\$63	\$19	\$45	\$0

Other in-kind subsidies included voluntary services and in-kind food and supplies, ranging from \$1 to \$55 per child per month. In both family child care homes husbands provided unpaid maintenance, including snow shoveling, lawn care, equipment repair and the like. Two homes, two nonprofit centers and Head Start received professional service donations such as accounting. In addition, one home, two centers and Head Start received in-kind food, supplies or equipment ranging from less than \$1 per child per month to \$12.

The total for all in-kind and volunteer services ranged from \$19 to \$77 for the six sites that received them. The primary gainers were Head Start and two of the three nonprofit centers, each receiving over \$60 per child per month. The third nonprofit and two homes each received less than \$50 per month and the proprietary center received no in-kind subsidy.

Subsidies from Philanthropic and Government Grants

Table 4 summarizes sources of revenue for the seven sites, including the cash subsidies. Six of the seven centers and homes received some money from philanthropic and governmental agencies. Some of these affect supply and some affect demand.

On the supply side, all centers (except the proprietary infant center) and homes received the USDA food reimbursement. Most receive smaller amounts from state and local government and their own private fundraising efforts. The total amounts of cash subsidy of costs varied from \$18 per child per month in one center to \$86 in another. The effect of these subsidies was to allow the centers to charge slightly lower rates to all children than they otherwise would. A special case was Head Start which was almost entirely funded by its federal grant.

TABLE 4
CASH INCOME
Revenue Per Child Per Month

Setting	Head Start	Non-Profit #1	Non-Profit Profit #2	Non-Profit Profit #3	Family Profit #1	Family Profit #2	Infant Care
Parent fees	\$4	\$42	\$232	\$338	\$175	\$224	\$612
<u>Supply Subsidies</u>							
Head Start grant	322						
State & local govt.	31		17				
Private fundraising	12		40	13			
USDA food	37	34	29	5	48	41	
<u>Demand Subsidies</u>							
Title XX	21	145	67		29		
United way		40	135				
Total Revenue	\$427	\$261	\$520	\$356	\$252	\$265	\$612

On the demand side, two centers, one home and Head Start were serving children with subsidies from the state purchase of care program. Two centers also received money from United Way to subsidize children ineligible for state purchase of care and to supplement these grants. For centers #1 and #2 which served mostly children subsidized publicly or through United Way, these subsidies were very important, amounting to about \$200 per child and accounting for 40% and 70%, respectively, of total cash revenue. The difference between these two percentages reflects the fact that total cost per child in center #2 was almost double that in center #1. In the remaining five sites, demand subsidies were relatively unimportant, amounting to less than 15% of cash revenue.

For the Head Start center, combined supply and demand side cash subsidies amount to 99% of total cash revenue. In nonprofit center #1, they totaled 84%. In the remaining centers and homes, the totals ranged downward from about 50% to the zero in the proprietary infant care center. These data illustrate the powerful effect of subsidies in reducing fees paid by parents.

Distributional Subsidies

We did not collect much information about subsidies from older to younger children because six of the providers took either children under two or children over two years old, but not both. In nonprofit center #1, which served both infants and older children at an average cost of \$330 per child per month, it would cost \$396 per child to serve infants exclusively and \$310 per child to serve four year olds exclusively. This center had differential tuition rates for different age groups, with infant tuition \$81 higher than the tuition for four-year-olds. This is slightly lower than our estimate of the \$86 actual difference in costs for the two age groups, but the \$5 difference between \$81 and \$86 is well within the uncertainty of our modelling.

We also hypothesized that fee schedules might be used to increase demand and shift costs from low to high income clients. This could happen in two ways: through the way providers accommodate to Social Services clients financed through the state purchase of care system, and through a sliding fee schedule where fees are based on family income.

In the four centers and one home which accepted Social Service clients, there was no subsidy from higher income parents to compensate for lower income families' fees. Center #1, by lowering its cost of care, negotiated a 100% reimbursement rate. The other higher cost providers used other forms of subsidy to make up the difference between costs and the reimbursement rate. Center #2 used funds contributed from the United Way and all three centers sponsored fundraising events to raise cash for their scholarship or sliding fee scale program. Some providers used a sliding fee schedule to determine fees for low income families with earnings too high to qualify for the state purchase of care subsidies. They use an arrangement similar to that regarding state purchase of care, so fees of higher income families were not used to offset the lower fees.

SUMMARY

Table 5 shows the cumulative effect of all of the subsidies. In the average nonprofit center studied, the combined effect of all subsidies was to reduce the cost to parents from \$684 per month (at the wages and salaries paid by school districts) to \$147 per month. Supply side subsidies include the effect of low wages, in-kind donations, some cash donations, plus the federal grant to Head Start. Demand subsidies included support for individual children and tax credits.

Income tax credits for child care payments represent another demand subsidy which lowers

actual cost of care to families. Income tax credits were estimated based on average tuition up to \$200 per month and estimated typical income levels for the parents in each center, assuming the parent had enough income (over \$15,000) to generate income tax liability against which to deduct the full credit.

TABLE 5
TOTAL COSTS AND THE EFFECT OF SUBSIDIES
ON THE AFFORDABILITY OF CHILD CARE
BY TYPE OF SETTING
Cost per Child per Month

	Head Start	Nonprofit Average	Homes Average	Infant Care
Resource costs	\$600	\$684	\$502	\$1148
Less:				
low wage subsidy	-96	-252	-214	-535
Total actual cost	504	433	288	613
In-kind subsidy	-77	-54	-32	0
Cash costs	427	379	255	613
Cash supply subS.	-402	-45	-44	0
Remaining cost	25	334	211	613
Cash demand subs.	-21	-133	-14	0
Average tuition	4	201	197	613
Income tax credit	-1	-54	-49	-40
Percent credit	30%	27%	25%	20%
Net cost to parent	\$2	\$147	\$148	\$573

Two of the three nonprofit centers were targeted at low income children and one of the two homes served a lower middle income clientele. Separating out the home and center which serve richer clients would heighten the effects of the demand subsidies. The low income oriented sites receive demand subsidies through state purchase of services and United Way. The middle income parents receive demand subsidies through income tax credits.

Demand side subsidies increase the parents' ability to pay the fees for the amount of care demanded. These subsidies varied from \$40 or 6.5% in the proprietary center to 70% of cash revenue in one center where state purchase of services and United Way contributions were particularly high. Federal income tax credits reduce the parent's cost about ten percent of the cost, provided the parent has enough income to be paying that amount of tax.

The extremely high net cost of care to parents in the infant center (\$573) came from two major sources. First, the care of infants required more staff, so that the top lines in Table 5 show higher costs. Second, the infant center had a middle class clientele and is a proprietary center. Hence

neither the center, nor its clients qualified for subsidies from government and philanthropic sources, other than tax credits.

Table 5 shows two important phenomena. First, because of the high subsidy in the form of low wages of child care staff, parents do not pay anywhere near the full resource costs of child care. Second, total subsidies vary greatly, based partly on the income of the clients, and partly on the ability of the program to generate subsidies. In Head Start, the subsidies exceeded 99% of cost. In the three nonprofit centers the subsidies averaged 75% of cost. In the two homes subsidies averaged 70% and in the proprietary infant center they averaged 50%. The average subsidy for the centers masks substantial differences in kinds and absolute levels of subsidy. Because of the small, nonrepresentative sample, nothing can be inferred from this study about actual subsidy size of the total population of child care providers. However, this study does point up the importance of subsidies in some sites, and suggests that these subsidies are inequitably distributed.

CONCLUSIONS AND HYPOTHESES

The findings of this study corroborate the known fact that in child care, costs depend primarily on labor costs. Low wages are the primary factor holding down costs in child care, but even at low wage rates labor costs represent about two-thirds of the cost of care. Costs for facilities are the second biggest item in the budget, averaging about one-sixth of total cost. Costs for food plus the remaining expenditure categories vary widely from 8% to 32% of total costs, averaging just over one-sixth of total cost.

Supply and demand subsidies are substantial in the industry. Supply side subsidies lower the cost of running the child care facility. Low wages reduce costs in these sites from roughly \$100 to \$500 per month; the food subsidy where applicable, reduces costs by \$33 per month; the in-kind donations, where applicable, reduce costs by about \$60 per month; other donations reduce costs by smaller amounts. Redistributive subsidies were less important than expected. If these findings are generally true, it might indicate that competition is keen enough to discourage redistributing costs between clients. Raising the price for one child in order to lower it for another risks losing the client paying the subsidy.

Availability of subsidies is very uneven. Although our sample emphasizes nonprofit child care, supply side subsidies are less available to for profit centers. Demand subsidies are available, but many centers will not accept low income children for one reason or another.

Significantly, in two centers, #1 and #2, serving mainly low income children, the cost, revenue, and quality pictures are quite different from each other. In center #1 the budget is tight and driven mainly by the level of state reimbursement, so that quality of services must be limited. In center #2 significant community resources have been marshalled and low income children receive higher quality care. This suggests that a major effect of supply subsidies might be to increase the quality of care in centers intended to serve mainly low income children. If this is true, whether or not higher quality is possible is based on the community's commitment to the institution and poor children. It would be important to know how prevalent such well financed centers are. Their existence in certain locations but not others introduces an element of arbitrariness into our child care delivery system, since these services are not generally available.

The government is already heavily involved in child care. The subsidy to the middle class is systematic in that any person with a tax liability can receive it. The subsidy for the poor is inequitable because funds are inadequate to serve all that apply and the state reimbursement is less than the market price. Furthermore, insofar as public subsidies are supplemented by local sources in some communities but not in others, the problem of equity is complicated by locational differences based on local politics. We can conclude that the good news is that the subsidies increase the availability, affordability and quality of care for some children. The bad news is that the subsidies are not available for others who need them.

Child care specialists have been concerned about the development of a two-tiered system which would provide lower quality care for low income children (Kamerman, 1983). Recently, this concern has been challenged by findings from the National Staffing Study which indicate that higher quality services exist in nonprofit centers serving children from high and low income families, as compared to centers serving middle income children (Whitebook, Howes, and Phillips, 1989, 152). Results from this limited study suggest a hypothesis which explains this apparent contradiction. We found ample evidence of segregation of the demand for child care by socioeconomic status of the family, based partly on segregation in housing, partly on parental choice, partly on state low reimbursement policy which discourages some providers from taking low income children. The apparent contradiction of the two-tier hypothesis might be caused by an uneven distribution of subsidies. This study suggests that possibly private subsidies mitigate the tendency for lower quality to exist in centers serving low income children. However, our findings indicate big differences in the amount of subsidies received by nonprofits serving low income children, both in the form of wage

subsidies and community/public subsidies. Possibly, the subsidies are enough to create statistically significant results showing higher quality care for low-income children, but these tests of significance might mask the existence of low quality care by most poor children.

Our study corroborates results of other research in pointing to the importance of the level of staff education on quality and cost of care. It also indicates that staff education levels do not always show up in higher costs because of the enormous subsidy of quality based on wages foregone by child care providers.

Dependence on subsidies, to the extent they are unreliable, is a potential source of instability, both in the number of spaces available and in the quality of services. Low wages, for instance, represent a subsidy which will disappear if demand for care increases and the labor market tightens. Subsidies based on private charity, an important revenue source for many nonprofits, may also be an unreliable source of financing especially as demand increases.

Our findings indicate considerable variation in fees paid by parents for child care, mainly due to the differences in subsidies in different child care settings and among different income classes. This disparity in costs of child care to parents may be even more pronounced when one takes into account care provided by unlicensed providers. The big variation in costs to parents of child care indicates the danger in using average child care payments per month as a public policy variable.

These research results demonstrate how little that can be done to make child care "affordable" to parents except through subsidies. Already, quality may be compromised by minimal financing of care to the poor. If we depend on market forces to regulate supply and demand for care, the most likely prospect is for cost to rise as the pay for child care workers begins to approximate its market value.

Finally, our conclusions point to the need for a more systematic approach to child care provision. The patchwork system now in existence cannot assure affordability or quality of care and it may distribute services in an arbitrary way.

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